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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 3 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"B" USSR. Moscow's May Day Output Hails Soviet Peace Policy and Attacks US. Soviet propaganda attendant upon the May 1st festival emphasized the usual theme of USSR "peace" as opposed to US "aggression." Marshal Vasilevsky contrasted the "new powerful upsurge" of the Soviet economy with the steady decline in the capitalist world, "headed by American imperialism," which is "pursuing intensive preparations for a new world war." He added that the current Communist line, which was recently initiated by Stalin, is that the growing peace forces will take the matter of preserving peace into their own hands. Marshal Timoshenko, speaking in Minsk, offered the only new line when he warned that the activities of the "warmongers," directed toward "unleashing a new war against the Soviet Union and the People's Democracies," forces the Soviet people to take "countermeasures for the defense of our country." Other current lines emphasized included: (1) WPC appeal for a Five-Power Peace Pact; (2) Korean-Chinese slogans protesting rearmament of Japan and calling for aid to Korea; (3) A united, independent, democratic, peace-loving Germany; (4) Persistent struggle against US-UK imperialists in Europe; (5) Boasts of the growth of the international authority of the USSR and its peace policy. (C Moscow 1894, 1 May 51; U FBIS, 30 Apr-3 May 51). COMMENT: There were no significant changes in the Kremlin's line or tone to distinguish the May Day output from current Soviet propaganda which is intended to justify and promote Soviet aggression in the name of "peace in the world."

"B" 1951 First Quarter Results USSR Industry Not Yet Announced. Embassy Moscow notes that while usually the first quarter results are published in April, in the first year of the fourth Five Year Plan, 1946, they were not published at all. With April already past and with the fifth Five Year Plan "expected this year", the Embassy feels that these statistics will probably not be published, even though local results, such as those already published for Leningrad, are given. The Embassy speculates that the purpose of omission is two-fold: (1) To prevent publication of any part of the fifth Five Year Plan before the Plan itself is announced; and (2) as in 1946, to destroy statistical continuity, thus making percentage data even more difficult to use. (C Moscow 1899, 3 May 51).

"B" EASTERN EUROPE. ALBANIA. Troops Moved to Northern Border. [] 25X1

[] since early April 1951 the Albanian Government has been deploying large numbers of troops by trucks at night along the northern frontier. A part of the troops has been drawn up on the plain east of Kukes (in northeastern Albania) along the Drin River, which is approximately 10 miles from the Yugoslav border toward the east. A short distance southwest of Kukes, mountain artillery troops are in battle positions in the hills. []

[] . COMMENT: During the past winter several reports

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were received that Albanian troops were engaged in fortifying the northern border. [redacted] alleged 25X1 that 2000 Soviet troops were encamped north of Shkoder in northwestern Albania. The current report of troop movements to northeastern Albania may indicate no more than a strengthening of the infantry regiment located in Kukes.

"B" CZECHOSLOVAKIA. US Embassy Foresees Imminence of Clementis Trial. Pointing to increasing evidence, the US Embassy in Praha states that a political trial featuring Clementis may begin in a matter of days. The Embassy includes in this evidence (a) the timing of the apparently enforced "defection" of a radio operator from the Yugoslav Embassy in Praha and (b) a statement by Party leader Slansky that Clementis has confessed to working for US intelligence. The Embassy suggests, therefore, that the Voice of America begin to discredit the inevitable trial verdict. (R Praha 661, 26 Apr 51). COMMENT: There is no firm evidence available that Clementis will stand trial in the near future. The circumstances surrounding the arrest of Oatis indicate that he may be utilized in such a trial and, therefore, some time may be necessary to prepare his testimony. Moreover, the preparation period for previous deviationist trials in Eastern Europe have in some cases dragged on for many months.

"C" Soviet Union Not to Participate in 1951 Praha Fair. The Czechoslovak press has announced that the Soviet Union will not participate in the 1951 Praha Fair. One possible explanation, offered by the US Embassy, is that the USSR is reluctant to exhibit products which last year were inferior to those displayed by the Czechoslovak and Western participants. (S Praha Des. Joint Week 14, 6 Apr 51). COMMENT: This is an unexpected development since one of the main themes for this year's Fair is the Soviet contribution to the Czechoslovak economy.

"C" FINLAND. Temporary Economic Stabilization Agreement Reached. Prime Minister Kekkonen has announced that an agreement for a five month economic truce has been reached between representatives of the Finnish Government, labor, and employers. Significant terms of the agreement are: (1) no wage increases will be made during period of agreement, (2) the Government will firmly oppose any price increases, (3) immediate steps will be taken by the Government to alleviate the tax burden on private individuals, (4) at the end of the truce period compensation will be made to wage earners for any possible increase in the cost of living, and (5) the Government will immediately appoint an economic council which will draw up plans for the stabilization of Finland's economic life. (R FBIS Ticker, 2 May 51). COMMENT: At long last the conflicting interests in Finland's economic life may be able to reach agreement on the best means to halt inflation and provide a much needed long range plan for economic stabilization.

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"B" POLAND. May Day Parade Unimpressive. US Embassy Warsaw reports that, in contrast to last year's May Day parade in Warsaw, this year's was noteworthy for the absence of the customary military display, the listlessness and disorganization of the civilian participants, and the apathy of the unusually limited number of spectators estimated at approximately 250,000 to 300,000. (R Warsaw 856, 2 May 51). COMMENT: In last year's parade the military display included an impressive array of material such as 21 heavy and 31 light tanks, 41 self-propelled cannon, 8 rocket launchers, 7 regiments of artillery, 8 regiments of infantry, and 2 regiments of paratroopers, while an air force display of 100 planes flew over the city.

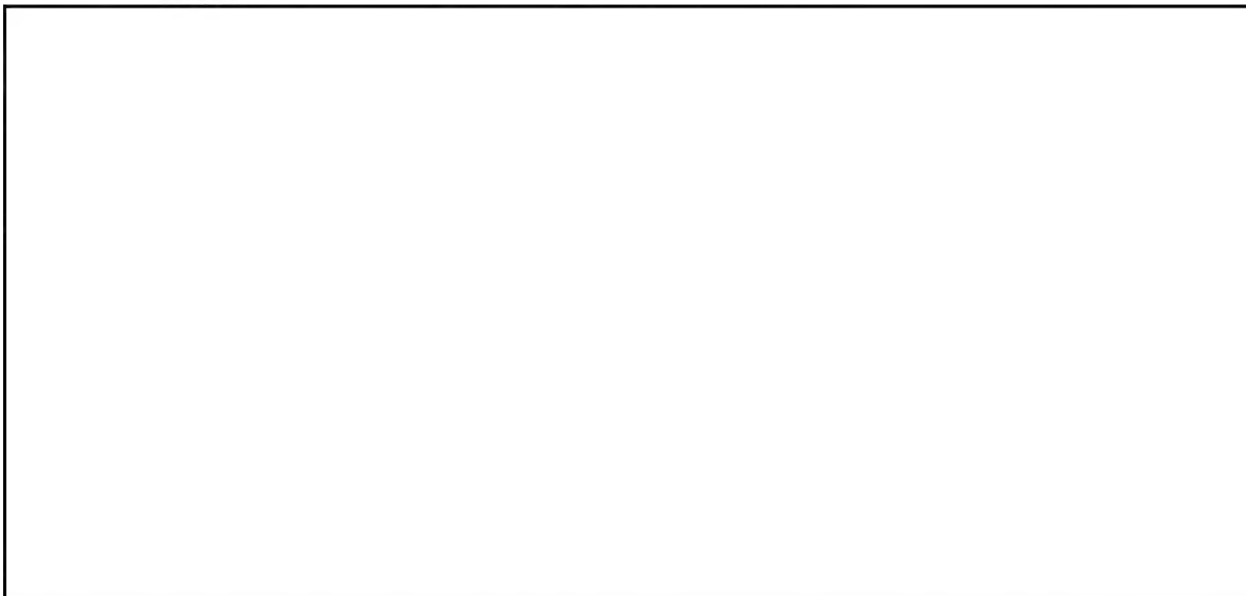
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SECTION 2 (EASTERN)

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"C" SAUDI ARABIA. Defense Minister Prince Mansour Dies. The death of Prince Mansour occurred on 1 May in Paris. Mansour was en route to the US for medical treatment. (U Paris 6668, 2 May 1951; R Jidda 645, 2 May 1951). COMMENT: Prince Mansour's death will probably not effect the current US discussions with Saudi Arabia over the Dhrahan Air Base, operated by the US Air Force. Mansour, who was relatively cordial toward the US, did not however, exert any considerable influence on Saudi Arabian foreign policy. The next Defense Minister will probably be chosen from the members of the royal family. The likely candidates for the defense post are the young Prince Mishal, who assisted Mansour, or Prince Mohammed, reportedly Governor of Medina.

"B" EGYPT. Strong Parliamentary Reaction to Anglo-Egyptian Impasse. US Ambassador Caffery in Cairo reports that the Egyptian Chamber of Deputies "got even" on 1 May with the British Parliament for anti-Egyptian statements previously made in London. (See OCI Daily Digest, 2 May 51). The Wafd, as well as opposition speakers, attacked the British in general and the Conservative Party in particular. Some of the speakers demanded abrogation of the 1936 Treaty and a boycott of the British. Caffery stated that Foreign Minister Salaheddin demonstrated considerable self-restraint,

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promising the Deputies that any new treaty would be submitted to Parliament before signature and that no agreement would be signed which did not realize Egypt's national demands to the full. Salaheddin made three additional points: (1) defending restrictions on the Suez Canal tankers; (2) condemning British failure to supply the necessary arms for Egypt with the threat that Egypt might "buy them from the devil if necessary", and (3) reiterating the usual Egyptian stand on the Sudan issue. Caffery comments that although the parliamentary meeting was probably an inevitable "escape valve" for pent-up Egyptian feelings, any definite dragging of the Anglo-Egyptian negotiations is certain to become progressively more difficult. (Cairo 1123, 2 May 51).

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"A" INDIA. Communist Orbit Helps Relieve India's Food Situation. On 1 May an official of the Indian Food Ministry announced that Communist China had agreed to supply India with 50,000 tons of milo and 50,000 tons of rice. He also stated that arrangements had been made to deliver at least half of the grain to India by July. Negotiations are still proceeding in Peiping between an official of India's Food Ministry and the Peiping Government for the purchase of additional quantities of the one million tons of food grains offered by China. (S New Delhi 3008, 28 Apr 51; U New Delhi 2989, 27 Apr 51; U New York Times, 2 May 51).

"B" INDIA. India May Refuse US Foodgrain Offer if Unacceptable "Strings" Are Attached. In speeches made on 29 April and 1 May, Prime Minister Nehru raised the possibility that India would refuse an offer of US foodgrains if unacceptable conditions regarding publicity and distribution of the grain were attached to it. The Indian press strongly supported Nehru's statement that his country was "not so down and out as to accept any condition dictated by any foreign country that might sully India's

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national honor." (C New Delhi 3031, 30 Apr 51; U New Delhi 3035, 1 May 51; U New Delhi 3049, 1 May 51). COMMENT: During the last three years, the Indians have frequently expressed their antipathy toward "strings" of any kind attached to offers of economic assistance, and Prime Minister Nehru is particularly reluctant to accept favors from the US. At least some of the recent Indian histrionics may therefore be routine moves designed to eliminate "strings" from any US food bill. Nevertheless, India has just defied the US and the UN by supporting the establishment of a Kashmir Constituent Assembly (See OCI Daily Digest, 2 May 51) and is apparently in a somewhat combative mood. Furthermore, during the past week India has reportedly signed contracts with Communist China for 100,000 tons of foodgrains, of which at least half will be delivered within two months. It is therefore believed, if there is any way that Nehru and the Government of India can see their way to weathering the food crisis without US assistance, that they will attempt to do so in order to display their independence. Success in negotiating additional quick-delivery foodgrain contracts with the Soviet orbit may be a determining factor in making their decision.

"C"

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INDOCHINA. USMILAT Sees UK-French Cooperation At Expense of US. The US Military Attache Saigon believes that Franco-British politico-military policy in the Far East is being developed and initiated without regard for the obligations and interests of the US. He bases this observation on exclusion of US personnel from UK-French staff conferences since August 1950, the current "huddle" of De Lattre and MacDonald, the installation of a British Naval Liaison Officer at French Navy operational headquarters at Saigon, and the attachment of British field and company grade officers to French units in combat. (S USARMA MC 83-51 Saigon, 1 May 51). COMMENT: The French do not fear UK intervention in

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Indochina nor pro-UK feeling among the Vietnamese. They fear the US in these respects, however, and may therefore be reluctant to afford the US a greater voice in their affairs by including it in joint discussions and operations. Moreover, General De Lattre is sensitive to any indication of a joint US-UK policy favoring more independence for the Vietnamese and, as a countermeasure, may be seeking to enlist UK support for his own politico-military policies in Indochina.

"B"

Vietnamese Leaders Differ Concerning French Intentions.

Minister Heath reports, after separate conversations with Bao Dai and Premier Tran Van Huu, that the appraisals of French actions and intentions made by these two officials are almost diametrically opposed. Bao Dai takes the position that the French are deliberately obstructing the formation of a Vietnamese Army. He contends that De Lattre, surrounded by a group of crypto-colonialist advisors, has withheld promised funds for Vietnam's military and economic development and has failed to maintain proper liaison with Bao Dai. Premier Huu, on the other hand, expressed the belief that the French are acting in good faith with respect to the Vietnamese Army and that progress is satisfactory despite a shortage of Viet officers and a defective Vietnamese budget. He feels that De Lattre is less under the sway of his colonial-minded advisers than before. He is satisfied with the progress of his government and attributes Bao Dai's pessimism to the influence of the courtiers who surround the Emperor. It is Heath's personal belief that the French are not sabotaging the Viet Army, that the major shortcoming is the lack of a strong Defense Ministry - a post which Huu now holds and is at present unwilling to surrender. He believes that the Huu Government is unpopular - as would be any Viet government not "dramatically anti-French" - but is gradually gaining more popular respect and authority. (S Saigon 1926, 2 May 1951). COMMENT: The development of a Vietnamese Army has been a source of French-Vietnamese contention for over two years. Although such factors as the absence of a strong military tradition in Vietnam have delayed formation of an army, the French have had, during virtually the entire post-war period, ultimate control over recruiting, training and operations. Thus far, a Vietnamese Army of only some 12 battalions has been produced. These facts suggest that the French have shown something less than whole-hearted support for the concept of an indigenous army. The fact that Huu attributes delay in the formation of an army to the deficiencies of his own government tends to bear out the reputation he has earned for being pro-French. Attribution of Huu's unpopularity to the fact that he is not "dramatically anti-French" ignores the fact that Bao Dai and ex-governor of North Vietnam, Nguyen Huu Tri are vastly more popular than Huu without taking a violently anti-French stand.

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"C" CHINA. Chiang Reportedly Offers Premiership to Hu Shih. []

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[] CHIANG Kai-shek has asked Dr. HU Shih, former Chinese Ambassador to the US, to return to Taiwan and take over General CHEN Cheng's premiership. HU, lecturer and writer in US since 1949, reportedly received this request verbally in New York from T. F. Tsiang, head of Chinese Nationalist UN group, who recently returned from a three-week visit to Taiwan. []

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COMMENT: Early in 1950 HU refused a request to return to Taiwan, stating that his high blood pressure would not permit it. Frequently mentioned as a possible "third force" leader, HU in April 1951 denied such contentions and urged united support of the Nationalist government now on Taiwan. []

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[] stated that CHEN Cheng would not willingly turn over his premiership to any one but HU. It is possible that Chiang considers HU's US contacts and proclivities of greater value than the more provincial inclinations of CHEN during the period of implementation of the new US aid program.

"A" KOREA: Indications That Enemy Offensive Will Continue. The Intelligence Staff of the US Far Eastern Command, in a discussion of the enemy's capabilities, notes that there are several indications that the current Communist offensive in Korea is actually designed to extend over a prolonged period and to penetrate deep into South Korea. FECOM cites the following indications as evidence of such enemy intentions: Recent prisoners have stated the current operation is planned to extend over two months and to consist of three major attacks: the unlikelihood that enemy would concentrate 27 newly-arrived Chinese Communist divisions in the west-central sector with the limited objective of driving UN forces from Seoul-Inchon complex; a noticeable increase in tank sightings in west and west central sectors and a continued heavy vehicular movement into forward areas, an estimated 400% increase in enemy anti-aircraft protection along major lines of communications and ports of entry; and the continued maintenance of North Korean airfields in a state of operational readiness. FECOM concludes: "although these indications are inconclusive, they strongly imply that enemy not only plans to continue the offensive, but contemplates operations on a much more extensive scale than in any of his previous efforts." (S DA CINCFE Telecon 4668, 3 April 1951).

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SECTION 3 (WESTERN)

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"A" FRANCE. Communists Call New "Independent" Group Government Provocation. The French Communist Party (PCF) has promptly asserted that the new "independent" Communist group (See OCI Daily Digest, 2 May 51) is sponsored by the French police and the Americans. Citing the Reichstag fire as a comparable precedent, the PCF organ Humanite, indicates concern over this development by calling for "increased vigilance, uncompromising and constant vigilance". Meanwhile, Pesin, a former Communist mayor, is revealed as the leader of the movement in the Department of Nord, and there is now every indication that it is in large part a development of the LeCorre national deviationist movement (See OCI Daily Digest, 27 Feb 51). (C Paris 6673, 2 May 51). COMMENT: While the French Government probably has encouraged the formation of this deviationist group, there is little likelihood that considerable, if any, public funds were available to finance the effort. The PCF will, however, intensify its purge. The major issue within the new movement reportedly is how to maintain undercover operations within the Communist-directed labor union (CGT) and the PCF while maintaining a separate overt organization. A decision has not yet been reached whether to launch a new national political party now, or to await some notable Communist setback when more important defections might occur.

"C" BELGIUM. Socialist Party Discipline Expected to Improve. In the early part of April the General Council of the Socialist Party voted to expel left wing faction leader Isabelle Blume because of her

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refusal to submit to party discipline, but the reasons leading to her expulsion were her activities and speeches which, in the past, have been almost Communistic in tone. A list was read by the Council of the occasions when she had spoken at Communist meetings and had cooperated with the Communists, despite the Socialist Party's request that these activities be stopped. Blume, however, refused to change her position. According to the Embassy, Blume has opposed Spaak and his foreign policies for a long time and her exclusion should strengthen his position in the Socialist Party. (U Brussels Desp. 1271, 11 Apr 51). COMMENT: The Socialist Party's discipline over its members, never too well implemented, probably will become increasingly effective, and the socialist opposition to the one-party Belgian Government is likely to be clarified as non-Communist at the same time as its basic pro-US policy and support of Belgium's alliances in Western defense are strengthened.

"C" ITALY. Communists Seek to Win Electoral Support of Anti-Communist Socialists. The first important appeal made by the Communists in the campaign for the forthcoming local elections is remarkable more for what it leaves unsaid than for what it says. It mentions only the Christian Democratic Party, which it identifies with American "imperialism" and the most "reactionary" social and "clerical" groups, and accuses this party of inverting its promises of peace, prosperity and freedom into war-mongering, poverty and repression. (R Rome 4899, 30 Apr 51). COMMENT: By directing their full fire against Premier De Gasperi's party, the Communists probably hope to bring about the withdrawal of the anti-Communist Socialists and other progressive groups from the electoral coalition supporting the Government, and thereby to isolate the Christian Democrats at the elections. The philo-Communist Socialist (PSI) leader, Nenni, had previously attempted to woo the Saragat Socialists (PSLI) and the Unitary Socialists (PSU) by proposing that these two parties join the PSI and the Communists in an electoral bloc. There have been unconfirmed reports of the formation of such a bloc in Faenza (near Bologna) but nowhere else. The recent unification of the PSLI and PSU and the new party's pledge of adherence to the electoral alliance of the anti-Communist forces in most of the provinces scheduled for elections will probably render the Communist appeal largely ineffective. (See OCI Daily Digest, 2 May 51). The identification by the Communists of the Christian Democrats with "clerical" groups conforms to the usual Communist tactic of striking at the Church indirectly through attacks on Premier De Gasperi's party.

25X1C "B" SPAIN. Government Insists on US Economic Aid before Spain is Armed.
 [redacted] the Spanish Foreign Minister
 has just issued a policy memorandum to diplomats abroad expressing
 the view that the US should heed the defensive capabilities not only

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of Spain and Portugal, but of Italy and Greece as well. The Minister added that the US can expect full cooperation from Spain, but that his country's "economic rearmament" must be completed before there can be any question of military aid. [REDACTED]

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[REDACTED] COMMENT: This memo reflects Franco's hope that Spain will receive extensive US economic aid in return for Spanish participation in the western defense effort.

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[REDACTED] the Foreign Minister in a similar memo in late March stressed the need for "economic" rather than military rearmament. (See OCI Daily Digest, 11 Apr 51). Spanish leaders have also been reported to favor a Mediterranean pact as the most effective means of exploiting the potentialities of the "true anti-Communist governments" of Spain, Greece and Turkey. Aside from the international prestige which would accrue to the regime, they undoubtedly regard such a pact as a possible alternative means of securing US military assistance, should they be unable to obtain a special bilateral arrangement with the US and should their participation in NATO continue to be blocked by UK and French opposition.

"B" ICELAND. US-Iceland Defense Pact now to be signed. US Legation Reykjavik expected to have the Icelandic Government's final acceptance of the bilateral defense pact by noon on 2 May, with formal signing to follow shortly thereafter. Present plans envisage the simultaneous arrival of a contingent of US troops and publication of the basic agreement one day after signing. (TS Reykjavik 229, 1 May 51). COMMENT: This synchronization of the arrival of the first contingent of US troops (between 200 and 300 men) with signature of the agreement is designed to give the Icelandic people tangible evidence of the protection the pact will afford. Conclusion of a defense treaty with Iceland represents a final step in the incorporation of this strategically located, but indigenously defenseless, island into the NATO defense system. The unarmed state of the island, which possesses a first class international airport, coupled with extensive Communist influence and a lack of political stability, has been a potential hazard to US security.

"B" SWEDEN. Swedes Concerned over Increased Soviet Press Attacks. After a noticeable lull, the Russian radio and press attacks on Sweden have lately increased. A recent lengthy article in "Bolshevik" (political magazine of the Central Committee of Communist Party of USSR) violently accusing the Swedish Social Democratic Government of "running errands of American imperialism" has occasioned worried comment in the Swedish press, which normally devotes little attention to sporadic Soviet outbursts. The US Embassy reports that the Swedes feel that the article is inspired by highest Moscow circles and consequently is far more serious than the routine "barking" of the Soviet radio.

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(C Stockholm Joint Weeka #17, 1 May 51). COMMENT: Since no particular dispute is currently disturbing Swedish-USSR relations, this press concern reflects rather a growing public anxiety over the general international situation. This does not foreshadow an early end to the Swedish Government's policy of "alliance-free" neutrality, but it does perhaps indicate a growing public recognition of the internal contradictions of this policy coupled as it is with Sweden's actual western orientation in economic and ideological matters.

"C" BOLIVIA. Violence Results from Political Demonstrations. On 30 April three persons were killed and twenty-four wounded when the Movimiento Nacionalista Revolucionario staged a counter-demonstration to offset a government-sponsored celebration to welcome the return of its presidential candidate. The violence caused several unions to cancel May Day celebrations, but there were some orderly parades by groups (totalling approximately 800) who carried anti-US, anti-UN, Communist-inspired banners. (C La Paz 500, 2 May 51). COMMENT: During the past week the government released MNR officials who were jailed on conspiracy charges, and this probably reduced the extent of pre-election violence thus far.

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES

3 May 1951

SECTION 1 (SOVIET)

"A" CZECHOSLOVAKIA. State Department Views on Oatis Case. The State Department has notified the US Embassy Praha that strong retaliatory action must be taken against the Czechoslovak Government, regardless of whether Oatis was arrested in connection with a forthcoming Clementis trial or to secure possible US concessions. The Department sets forth for Ambassador Briggs' consideration four possible consecutive steps to force Oatis' release. These are (a) the prohibition of travel by non-official citizens to Czechoslovakia and the immediate departure of those already there; (b) the detention or expulsion of former Czechoslovak consular personnel and other agents in the US Zone of Germany; (c) an embargo on US exports to Czechoslovakia; and (d) the blocking of Czechoslovak assets in the US. The Department, in agreement with Briggs' contention that a mere protest would be futile, suggests that the first step to be taken within the next few days. This would be followed by a personal call on the Czechoslovak President by the US Ambassador, during the course of which Briggs would state that Oatis' immediate release would forestall further retaliatory actions. (S, S/S State to Praha 565, 2 May 51). COMMENT: In connection with (b) above, High Commissioner McCloy warns that the possibility of Czechoslovak retaliation in its trade commitments to Western Germany must be weighed, especially in regard to export of brown coal, essential to Bavarian industry.

SECTION 2 (EASTERN)

"B" IRAN. Mossadeq Comments on Oil Issue. Ex-Prime Minister Ala reports that Premier Mossadeq had informed him prior to becoming Iran's new Prime Minister, that he had no intention of taking any drastic steps concerning the Anglo-Iranian Oil Company (AIOC), and that he realized the necessity of unimpeded operation by the Company. Mossadeq informed Ala that his program was to train young Iranians abroad for the technical and administrative jobs of the Company so that in time they could replace the British. He put more emphasis on Iran being rid of "British domination" than he did on the oil situation itself. Meanwhile the refinery strike is over with 24,000

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workers back, out of a total of 28,000. On 2 May the Shah signed the bill nationalizing Iran's oil. (S, S/S Tehran 2633, 1 May 51; C Basra 36, 1 May 51). COMMENT: If Mossadeq's statements accurately represent his policy, he may be willing to come to some agreement with the UK which will permit the AIOC to continue temporarily some of its operations in Iran. However, his remarks, while in general agreement with the nationalization bill, according to Ambassador Grady, do not jibe with Mossadeq's many public announcements on the oil question, nor with his consistently impetuous actions in Parliament. It is still unclear how Iran intends to implement the oil nationalization bill passed by the Majlis and signed by the Shah. While press reports state that the UK has now offered new terms to the Iranian Government on 30 April (see OCI Daily Digest, 1 May 51), later cables suggest the British have not formulated any specific proposals since those made to Ala just before his resignation.

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